

**STATE OF SOUTH CAROLINA**  
**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF SOUTH CAROLINA**

**DOCKET NO.** \_\_\_\_\_

In The Matter of:

Palmetto States Utility Services, Inc.

**APPLICATION FOR AUTHORITY TO  
ISSUE AND SELL SECURITIES  
(LONG-TERM DEBT OR EQUITY) AND  
DISTRIBUTE DIVIDENDS**

Palmetto State Utility Services, Inc. ("PSUS") requests the Public Service Commission of South Carolina ("Commission") to authorize PSUS to sell common stock to or to borrow money from its parent company, American States Utility Services, Inc. ("ASUS"), as set forth below, pursuant to S.C. Code Regs. 103-506 and 103-706. PSUS is a public service company incorporated under the laws of the State of South Carolina. A certified copy of its articles of incorporation is on file with the Commission.

1. The Company's correct name and post office address are Palmetto State Utility Services, Inc. ("PSUS"), American States Utility Services, Inc., 630 E. Foothill Boulevard, San Dimas, California 91773. The names and post office address of its attorneys are provided below. PSUS is a public service corporation organized and existing under the laws of the State of South Carolina and is authorized to do business in South Carolina. The Company is primarily engaged in the business of operating, maintaining, and distributing water and wastewater services at Fort Jackson, South Carolina located outside of Columbia, South Carolina.

2. PSUS intends to either sell common stock or borrow money from its parent ASUS to capitalize its operations at Fort Jackson, South Carolina. The proceeds of the

sale or loan shall be used to fund the operations, maintenance, and capital improvements, if needed, of the water distribution and waste water systems at Fort Jackson. Should PSUS opt to borrow funds from ASUS, the term of the loan will be longer than twelve months.

3. From time to time, when PSUS earns funds in excess of its capital needs it requests the ability to issue dividends to its parent-stockholder, ASUS. In the event a dividend is issued to its parent-stockholder, PSUS will notify the Commission of any such distribution through its annual reports.

4. PSUS applies to the Commission for permission and authority to:

a. Issue and sell up to \$17,000,000 of common stock to or to borrow up to \$17,000,000 from its parents ASUS, or any combination thereof up to a total of \$17,000,000 at such times as PSUS may deem necessary or advisable; and

b. Execute, deliver, and carry out such instruments, documents and agreements as shall be necessary or appropriate to effectuate such sale or borrowing transactions.

5. PSUS requires this financing from ASUS to fulfill its contractual obligations to federal government. As stated in its application for a certificate of public necessity and convenience, PSUS will finance the proposed exercise of the franchise or right with assistance from its parent company, ASUS. PSUS will obtain the necessary financing through the issuance of stock to or borrowing from ASUS.

6. As required by Regulations 103-506 and 103-706, PSUS submits the information below in support of its application of authority to issue and sell common stock to and borrow long term funds from ASUS.

a. The Amount of Character of the Securities Proposed to be Issued.

PSUS will issue and sell common stock to its parent ASUS or take long-term loans from its parent ASUS. The interest rate on each loan shall be either: (1) a fluctuating interest rate per annum that is at all times equal to the interest rate paid by its parent ASUS under its intercompany note with American States Water Company ("AWR") dated May 23, 2018; or (2) PSUS will pay interest on the unpaid principal amount at a fluctuating interest rate per annum that is at all times equal to the one month LIBOR Rate on the last business day of each month and at maturity plus the Applicable Eurodollar Margin set for in the Credit Agreement for such date for each advance not funded by ASUS under ASUS's intercompany note with American States Water Company dated May 23, 2018. The combined total of stock sales and loans will not exceed \$17,000,000.

b. The Purpose for Which the Securities are Proposed to be Issued.

PSUS will utilize the financing obtained through borrowing or issuance of common stock for the construction, completion, extension, improvement, and operations of utility property and facilities pursuant to the terms of its contract with the Federal Government. Funds generated may also be used to operate and maintain existing utility property and facilities. Funds generated may also be used to retire, refund, repurchase, redeem or reduce outstanding short term debt of PSUS.

c. The Consideration for Which the Securities are to be Issued.

The common stock shall be sold to ASUS for a price based on book value of and capital needed by PSUS. Any loans from ASUS to PSUS will be made upon the same terms as are set forth in the revolving credit arrangements of ASUS' parent, American States Water Company, a California corporation ("AWR"). A copy of the promissory note

dated May 23, 2018 between AWR and ASUS (the "Promissory Note") is attached as **Attachment A**. Definitions of terms used in the Promissory Note are set forth in **Attachment B**. PSUS contemplates that all borrowing made by PSUS from ASUS will be made pursuant to the terms of the Promissory Note or similar promissory notes. The combined total of stock sales and loans will not exceed \$17,000,000.

d. The Description and Estimated Value of the Property, if any, to be acquired through the proposed Issue.

PSUS intends that the construction, completion, extension, maintenance, and improvement of utility property and facilities pursuant to the terms of its contract with the Federal Government will result in improved service for Fort Jackson. A precise value cannot be given at this time.

e. The Terms and Conditions of the Issuance.

Any common stock of PSUS sold to ASUS will be sold for a price based upon book value of and capital needed by PSUS. As there will be no placement to anyone other than a related entity, there will be no fees or costs associated with the sale of stock. The terms of any loans taken by PSUS from ASUS will comport with the terms shown in **Attachment A** and be at prevailing market interested rates available to AWR under the terms of its revolving credit arrangements at the time of the borrowing.

f. The Financial Condition of PSUS and Its Operation's, so far as Relevant.

1. Financial Condition.

PSUS is a company with a government contract assigned to it to maintain, own, and operate the water distribution and wastewater facilities located on the Federal enclave of Fort Jackson near Columbia, South Carolina. PSUS has issued 100 shares

of common stock to its parent ASUS in return for initial capitalization of \$100. As of December 31, 2018, PSUS has borrowed \$13,985,886 from ASUS, under the terms of previously issued Promissory Notes.

## 2. Operations.

PSUS began operations at Fort Jackson on January 1, 2008. The funds from this application, if granted, will be used to capitalize and finance the continued operations at this location.

7. PSUS submits that the purposes for which the proposed issuance of debt or common stock is to be affected as described above:

- a. Are for lawful object within the corporate powers of PSUS;
- b. Are compatible with the public interest;
- c. Are necessary for PSUS to properly perform its duties as a public utility;
- d. Will not impair the ability of PSUS to perform its public utility service; and
- e. Are reasonably necessary and appropriate to provide adequate funds for the described corporate purposes.

8. All communications concerning this application should be provided to:

Applicant's Representative:	Granville R. Hodges, Jr. Palmetto State Utility Services, Inc. c/o American States Utility Services, Inc. 630 E. Foothill Boulevard San Dimas, California 91773 Phone (909) 305-2400, ext. 116
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WHEREFORE, PSUS prays that this Commission enter its order:

Authorizing, empowering, and permitting the PSUS (i) to issue and sell up to \$17,000,000 of debt or equity securities pursuant to the terms and conditions described herein at such times as the PSUS may deem necessary or advisable, and (ii) to execute, deliver, and carry out such instruments, documents, and agreements as shall be necessary or appropriate to effectuate the sale or borrowing transaction or transactions.

*s/ Marcus A. Manos*

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Columbia, South Carolina